

29 DEC 1948

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## GENERAL

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## FAR EAST

2. CHINA: Chiang Kai-shek preparing resignation statement--  
US Embassy Nanking transmits a report that Chiang Kai-shek  
on 26 December expressed his intent to retire in favor of  
Vice President Li Tsung-jen and will issue a proclamation  
to this effect "as soon as possible." According to the Em-  
bassy, which gives credence to this report, Li then will  
make an open proposal to the Chinese Communists for a  
cease-fire order and a resumption of peace talks. If the  
Communists reject this peace proposal, Li reportedly plans  
to make an appeal to the US, the UK, France, and the USSR  
for mediation. The Embassy believes that: (a) such a pro-  
clamation will have a disastrous effect on whatever fighting  
spirit may still exist in the Nationalist armies; (b) the Com-  
munists will reject Li's peace proposal; and (c) without  
Chiang, the National Government will be incapable of re-  
grouping its forces in order to continue resistance after  
having made an open peace move.

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(CIA Comment: CIA agrees that a government under  
Li would be even less effective than the present Government  
in offering military resistance to the Communists. CIA

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- 1 - NO CHANGE in Class. ☐☒ DECLASSIFIED

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believes that the Communists may refuse to negotiate at all and will certainly not agree to any terms other than those which would give them effective control of a government for all China.)

Fall of Tientsin considered imminent--The Chief of the Joint US Military Advisory Group (JUSMAG) in Nanjing believes that the North China cities of Tientsin and Tain will fall to the Communists within a few days. The JUSMAG Chief considers, however, that the Communists will not attack Peiping but will contain Nationalist forces there until General Fu Tso-yi is forced to surrender or to reach an agreement with the Communists. The JUSMAG Chief reports that all effective Nationalist resistance north of Pangou has been eliminated and that most Nationalist forces in the Pangou area have been withdrawn south of the Yangtze; he considers a Communist drive to the Yangtze to be imminent.

ARMY-TS

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